

# UNITED STATES DEPARTMENT OF **COMMERCE** **NEWS**

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Address

by the

Honorable Maurice H. Stans

United States Secretary of Commerce

before the

British-American Chamber of Commerce

Grand Ballroom, Delmonico's Hotel

New York, New York

December 1, 1970

12:00 Noon

Today we come together at a time when trade relationships throughout the world are very much in a process of change, and so there are some uncertainties about the future.

## CHANGED CONDI TIONS

The principal change that has occurred from our standpoint in the United States is the fact that we are no longer the dominant trading nation of the free world as we were for a time after World War II.

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Other nations have grown rich and productive and competitive and strong, and this is a condition we welcome. Yankee traders have always been at their best in competition, providing the rules of the game are fair and equal for all involved, and we certainly prefer to live and do business in a world where prosperity and economic strength are expanding.

From the British viewpoint this is also a time of historic change. Britain stands on the brink of membership in the Common Market at a time when the Market is expanding into one of the major trading blocs of the world.

So Britain, like the U.S., is entering a new competitive atmosphere-- and today I would like to address myself to three fundamental points about these changing conditions in which all of us have a mutual interest.

First I would like to look briefly at our own trade policies, and reaffirm the direction in which we are heading. Then I would like to discuss the trade bill now pending in the Congress, and our mutual interests in it. Finally I will offer a few observations on the Common Market, and on Britain's new relationship with it.

## FREER TRADE

President Nixon has repeatedly made it clear that the United States is committed to the pursuit of freer trade.

The trade legislation he submitted to the Congress last year was pointed strongly in that direction. Among other things it asked for the repeal of ASP, for authority to negotiate limited tariff reductions, and for improved ways of dealing at home with the problems of industries affected by imports. In addition, all of the actions that have been taken by the Executive Branch in these past two years have had the effect of encouraging greater two-way trade among nations.

For example:

We have invited other major nations to join us in a concerted effort to reduce or eliminate nontariff barriers.

We have offered specific trade expansion help to the nations of Latin America, and we are seeking to extend tariff preferences to most of the developing countries.

We have significantly liberalized our trade list with Eastern Europe, and are still continuing to do so.

We are taking every possible step to achieve a more secure climate for foreign investments throughout the world.

And we have also launched a major export expansion effort of our own, which has had very encouraging results. Our exports have grown remarkably from the low point of two years ago.

## PROBLEMS AND IMPEDIMENTS

Nevertheless, our problems are far from resolved. Some of those who engage in superficial analysis of our international trade position have stated that the resurgence of our favorable balance of trade has met all of our needs. This is completely fallacious.

For one thing, the balance of trade has not come back to a surplus anywhere near an acceptable level. Our balance of payments continues to run at a severe deficit. In the annual exchange of American dollars with other countries, the other countries are still coming out far ahead.

For another, we are concerned over many conditions and impediments that have developed in international trade in recent years.

We are all aware, for example, of the many non-tariff barriers that have risen over the past decade or less. Our trading position, very frankly, has been jeopardized by the maze of rules, regulations, tax discriminations, import restrictions, export subsidies, preferential trading agreements and investment restraints which have confronted us increasingly around the world.

We are also concerned that some of our major trading partners continue to do business in violation of the rules of the GATT.

Finally, we are concerned about some of the consequences of all these conditions. Notwithstanding the rise in our exports overall, we do have a deficit of imports over exports in many crucial items of trade, even some of our surplus categories are facing vigorous new competition; and it is a fact that in a growing number of American industries, large and small, plants are closing and increasing numbers of jobs are being transferred to other countries.

#### PROTECTIONISM VS. FREE TRADE

So we are faced both with a commitment to freer trade, and with conditions which impede it.

Our trade policy must reconcile the two.

This is not a simple matter of choosing between "protectionism" on the one hand and "free trade" on the other. We know that classic protectionism is self-destructive and has no place in the 20th century. We also know that absolute free trade is a myth which does not exist anywhere in the world.

The London Times stated recently, for example, that "European and Japanese protectionism (is) more comprehensive than anything . . . found in the United States." It stated that "Japanese industry and Common Market agriculture are the most heavily protected in the developed world."

We have to agree.

## RECIPROCAL POLICIES

In view of these conditions, we are trying to develop trade policies which are realistic, in light of conditions that prevail. We are determined that our policies take into account the attitudes of others, and at the same time reflect our own best interest.

In short, we are seeking the achievement of freer trade through fairer trade.

We believe the key word in this effort is reciprocity. We ask for nothing more than fair and equitable trading conditions, and we pledge reciprocal trading opportunities in return.

Toward this end:

We want to achieve the fair and reciprocal application of all of the rules of the GATT.

We want to redouble our efforts to bring down non-tariff barriers, everywhere in the world.

We want to achieve better means at home for business and labor to adjust to the impact of sudden trade changes, so that new barriers will not be erected to international commerce.

And finally, while we are reasserting our own national self-interest in trade we must also make it clear to other countries that we stand willing to achieve harmonization of their views and ours in every way possible to improve the flow of trade between us.

Each of these we can support with honor and with confidence-- and we hope each will have the respect of the other nations of the world with which we do business.

### TRADE BILL

Having said that much about the framework of our trade policy, let me turn to the more specific matter of the trade legislation which is now pending in the Congress.

We are fully aware of the concerns in Europe over the possible effects of the Trade Act of 1970. Notwithstanding anything you may have read in the press, no one in a responsible position here believes you are indifferent to it.

Your concerns--and those of our mutual trading partners--deserve to be discussed, and I welcome this opportunity to do so.

May I begin by reviewing some pertinent history, and then offer some reassurances.

### TEXTILES

First, as you recall the Nixon Administration did not seek the broad scope of restrictive possibilities which are now in the bill.

We did seek, instead, only the means to moderate the disruptive rate of growing imports affecting a single industry--the U. S. textile industry--which accounts for one person out of every eight employed in American manufacturing.

We did so reluctantly, but in the belief that it was absolutely necessary.

Regardless of statistics that have been provided by others, the hard fact is that jobs are being lost in the American textile industry at an increasing rate, almost in direct ratio to rising imports. Since January 1969, 113,000 U. S. textile jobs have disappeared. Over the same two years, according to Dun & Bradstreet, more than 400 firms have closed; others are on reduced time.

Behind this lies the fact that we are the only major unrestricted market in the world for man-made fiber textiles and wool. We do not have restrictive agreements on the flow of these products, such as those which already exist between Japan and a number of other nations, including Great Britain.

As the world approached over-capacity in synthetic textile production, the American market approached the saturation point, and severe damage to our domestic industry has set in. The rapidity of increase in imports became a tidal wave, and the industry had neither time nor means to adjust to it.

I believe, without any doubt, that every nation in Western Europe, if confronted with a similar trend in a domestic industry of comparable importance, would have taken steps to protect that industry.



## LONG-TERM ARRANGEMENT

Our first step was to seek an international agreement to cover the world's growing trade in synthetic fibre textiles, similar to the Long-Term Arrangement on Cotton Textiles to which all of us are parties.

The success of the LTA may be measured by the fact that it has twice been renewed, most recently just a few months ago.

Every exporting country which has participated in the LTA has been able to share in the continuing growth of the American market for cotton textiles.

## GATT AGREEMENT

Under the new international agreement which we sought, all participating countries would have been able to share in the continuing growth of the American market for synthetic textiles and wool.

We sought to achieve such an agreement through the GATT, but we did not succeed. Ironically, on November 23 a report in the Washington Post stated that if the so-called Mills Bill is passed, "the Common Market is likely either to propose multi-lateral talks in GATT, or negotiate bilaterally with her trade partners, to control textile exports."

We wish this thought had prevailed many months ago.

## HEATED THETORIC

In the wake of our own failure to achieve either multilateral or bilateral agreements on the subject, the Congressional process began.

As we all know, it has generated a great deal of heated rhetoric. One of your own British trade spokesmen said recently that discussion of the bill has been "too damn polite for too damn long."

Open threats of retaliation are being made.

We believe the time has come to cool the rhetoric.

We recognize that a certain amount of it is designed to generate Congressional fears, and contribute to the defeat of the bill.

But inflammatory terms such as "trade war" and "retaliation" tend to over-simplify very complex problems, and today's problems cannot be approached effectively from these antagonistic positions.

This does not mean that we do not take Europe's threats of retaliation seriously. We do. But we should all realize that no country is invulnerable to the retaliation process--and none will gain by it.

## REASSURANCE

The most fundamental point to realize about this bill is the fact that on every major issue it delegates responsibility to the President to

act. This being so, the concern should not be with the law itself, but with the way it will be administered if it becomes law.

With all the melodramatic scare talk that has centered around the bill, the broad powers it would give to the President to assure fair and freer trade have been largely overlooked. Yet the expanded role of the President is the most significant single fact of the bill.

The President has tremendous discretion to avoid quotas under the textile and shoe provisions of the bill, and under the revised escape clause procedures of the bill.

If the bill becomes law, I give you this assurance:

The same Administration which did not seek it in its present form will not administer it in such a way as to provoke an international trade war.

I am not here in defense of the legislation as it stands. Instead, I am an advocate of the Administration's trade legislation as it was introduced some months ago together with quotas for textiles and DISC. But if the bill as it passed the House of Representatives becomes the law of the land, it will be administered with wisdom and restraint, in full view of the President's firm commitment to fair and freer trade.

## REACTION

Recognizing all of the options and the safeguards which are built into the bill, we cannot help but wonder if some of our friends in Europe

might not have over-reacted to the Trade Act of 1970. We wonder if they might not have conjured more of a danger than is really there--for the fact is that if the Mills Bill becomes law world trade will continue to expand.

We have no intention of closing our borders, and so we do not expect to see the spectre of massive retaliation. Other nations will continue to want to buy goods and services from us, just as much as we want to sell them.

We have no wish to close our markets, anymore than any other nation wants them closed--for others want to share in all that we offer as the greatest export market on earth.

In short, we do not believe that anyone will provoke a trade war, or retaliate against retaliation, or launch a new age of economic isolationism.

Our commitment to freer trade under more reciprocal conditions will be met.

#### DISAGREEMENTS

We hope that our trading partners in other parts of the world-- principally the Common Market in Europe, and Japan in the Far East-- will make a similar commitment to freer trade through fair, equal, reciprocal practices and policies.

Unfortunately, we feel at the moment that in some ways the Common Market does not share such a commitment. We look upon its agricultural policies, its border taxes, its preferential trading agreements and several other practices as being discriminatory against the United States, and not in the best interests of friendship or freer trade.

In particular we feel that enlarging the E. E. C. through preferential arrangements rather than full membership is a distortion of the original concept, and is contrary to the world's interest in better trade relations and freer trade.

We look to Great Britain hopefully to serve as a possible harmonizing factor on this matter. We are anxious, on a continuing basis, to resolve issues of this kind before they can become major problems which will split the world into hostile trading blocs.

We are not quite certain this desire exists on the European side. Over the past few months, in fact, we have wondered if some of the intensified European criticism which has been directed at the Mills Bill might not have been designed deliberately to divert attention from some of our complaints against the Common Market.

#### COMMON MARKET

But notwithstanding those complaints, the United States strongly reaffirms its support of the Common Market. We believe the inclusion

of Great Britain and other members of the Outer Seven will be to the world's benefit, and this growing economic union in Europe could lay the groundwork for generations of political stability and peace.

Some of this enlargement inevitably may damage some aspects of U.S. trade. But we are prepared to adjust, where there is also a willingness to adjust on the other side, matched by an equal commitment to fairness.

We recognize that Britain's interest is basically with Europe and the Common Market. But we also recognize and greatly value Britain's traditional ties with the United States, and we hope the full-fledged British membership in the Common Market will serve to bring us all closer together.

### CONCLUSION

Without doubt we live at the most exciting economic time in history. Never before has so much of the world tried to develop or achieve a better life at a single time, and never before has so much of the developed world had such great productivity, technology and resources.

For its part, the United States seeks nothing more in this continuing process than new and expanded partnerships, fair rules and competitive equality, all in a spirit of reciprocity among nations.

Fortune Magazine recently noted that business everywhere is outgrowing national boundaries. Trade and investment have shown their great capacity to rise above other barriers to friendship and to hold men together in common interest.

We pledge ourselves to pursue policies with all the nations of the earth which will contribute to that bond. Mutual economic progress, we believe, has become man's greatest hope to tie together all the nations of this earth, in abundance and in peace.

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